

Message Text

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ORIGIN NEA-10

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-----097661 230607Z /17
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FM SECSTATE WASHDC
TO AMEMBASSY TEHRAN PRIORITY

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E.O. 11652: N/A

TAGS: ELTN, BDIS, IR

SUBJECT: GENERAL MOTORS

REF: TEHRAN 2618

1. SUMMARY AND ACTION REQUESTED: GM SERIOUSLY CONSIDERING WITHDRAWAL FROM IRAN IF CURRENT DISPUTE WITH LOCAL PARTNER CANNOT BE RESOLVED. COMPANY PREPARED TO INITIATE LEGAL ACTION BUT MEANWHILE FAVORS EARLY PERSONAL APPROACH BY GM'S PRESIDENT TO SHAH. EMBASSY VIEWS ON POSSIBLE TACTICS, INCLUDING FEASIBILITY OF GM MEETING WITH SHAH, ARE REQUESTED. END SUMMARY.

2. GM DELEGATION, LED BY DAMON MARTIN (GENERAL DIRECTOR FOR AFRICA AND MIDDLE EAST) AND GEORGE FERRARESE (ASSISTANT FINANCE MANAGER), CALLED ON DEPUTY ASSISTANT
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SECRETARY SOBER MARCH 22 TO DISCUSS COMPANY'S CURRENT DIFFICULTIES IN IRAN.

3. GM GROUP OUTLINED PROBLEM, MENTIONING CURRENT UNHAPPINESS BY GOI AND IRANIAN SHAREHOLDERS OVER COMPANY'S POOR PERFORMANCE AS APPARENT REASON FOR REPLACEMENT OF U.S. BOARD MEMBERS. IRANIAN MEMBERS ELECTED BY "CUMULATIVE

VOTING PROCEDURE" AT MARCH 5 BOARD MEETING WHICH GM SAYS IS NOT RECOGNIZED BY ARTICLES OF ASSOCIATION. GM'S SPECIFIC LEGAL DISPUTE IS WITH IRANIAN REGISTRAR WHICH ACCEPTED MINUTES OF BOARD MEETING FOR OFFICIAL GAZETTE PUBLICATION. GM ASKING THAT THESE MINUTES BE ACCEPTED ON OWN MERITS AS COMPANY, IN PREPARED STATEMENT TO REGISTRAR, CITED FIVE WAYS THAT MINUTES WERE DEFICIENT. GM BELIEVES UNSPECIFIED "POLITICAL PRESSURE" RESULTED IN REGISTRAR'S ENDORSEMENT. NEW IRANIAN BOARD IS SLATED TO TAKE OVER ON APRIL 3, WHICH INCLUDES POSITIONS OF MANAGING DIRECTOR AND TREASURER, PREVIOUSLY FILLED BY AMERICANS.

4. GM IS CONSIDERING INITIATING ACTION EITHER IN IRANIAN COURTS OR (MORE LIKELY) VIA INTERNATIONAL ARBITRATION, BUT IS CONCERNED OVER PROTRACTED DELAY INHERENT IN PURSUING LEGAL ACTION. IF FINAL DECISION ADVERSE TO GM, COMPANY WOULD PULL OUT OF IRAN. THIS, THEY FEARED, WOULD HAVE SERIOUS NEGATIVE IMPACT ON IRANIAN INVESTMENT CLIMATE.

5. AS ALTERNATE COURSE OF ACTION, GM SAID IT FAVORS CALL ON SHAH BY PRESIDENT ESTES (WHO WOULD BE AVAILABLE TO VISIT TEHRAN APRIL 6-8). SUCH CALL RECOMMENDED BY GM'S TEHRAN COUNSEL CYRUS GANI. EXECUTIVES ASKED IF U.S. EMBASSY COULD INTERCEDE TO ARRANGE SUCH A MEETING.

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6. SOBER NOTED DEPARTMENT AND EMBASSY STOOD READY TO PROVIDE ALL APPROPRIATE ASSISTANCE. WE WOULD WISH TO CONSULT WITH OUR EMBASSY IN TEHRAN ON BEST COURSE. HE SUGGESTED THAT MEANWHILE GM MIGHT CONSIDER APPROACHES TO INTERESTED IRANIAN MINISTRIES (POSSIBLY JUSTICE, INDUSTRIES AND MINES, AND ECONOMY AND FINANCE). IT WAS ALSO SUGGESTED THAT GM EXECUTIVES COULD BENEFIT FROM TOUCHING BASE WITH IRANIAN EMBASSY HERE, U.S. REPS OF PAHLAVI FOUNDATION, AND POSSIBLY U.S. REPS ON U.S.-IRAN BUSINESS COUNCIL. THEY MIGHT ALSO WISH TO SEEK ZAHEDI'S HELP IN ARRANGING ESTES' CALL ON SHAH, IF THAT REMAINED THEIR DESIRE.

7. ACTION REQUESTED: EMBASSY'S ADVICE ON BEST COURSE FOR GM TO FOLLOW ON THIS PROBLEM. (DEPARTMENT HAS PROMISED TO INFORM GM OF RESULTS OF ITS EXCHANGE WITH EMBASSY.)
VANCE

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